

Message Text

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ACTION EB-08

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E.O. 11652: NA
TAGS: ETRD VE
SUBJECT: GOV ANNOUNCES DECISION TO LIMIT IMPORTS

REF: CARACAS 2042

1. ACCORDING TO PRESS REPORTS, THE GOVERNMENT OF VENEZUELA HAS DECIDED TO CONSTRAIN THE RAPID GROWTH OF IMPORTS INTO VENEZUELA BY PROHIBITING IMPORTS OF A LIMITED NUMBER OF ITEMS (17) SIMILAR TO OR THE SAME AS GOODS MANUFACTURED IN VENEZUELA. THUS THE PUBLIC JUSTIFICATION FOR THE PROHIBITION IS TWOFOLD: THE MEASURE ALLEVIATES BALANCE OF PAYMENTS PROBLEM WHILE PROTECTING DOMESTIC MANUFACTURING INTERESTS. THE ACTUAL DECREE IS EXPECTED TO BE PUBLISHED SHORTLY; UNTIL THEN, NO PRECISE LIST OF THE ITEMS AFFECTED IS AVAILABLE. GOVERNMENT SOURCES TOLD THE PRESS THAT DEMAND FOR IMPORTS WOULD BE REDUCED AN ESTIMATED BS 500 MILLION (\$116 MILLION) DURING 1978 BY THE DECISION.

2. ACCORDING TO THE NEWSPAPER REPORTS, WHILE THE ECONOMIC CABINET UNANIMOUSLY SUPPORTED SOME SORT OF CONTROLS ON IMPORTS, THE CABINET WAS DIVIDED AS TO HOW SEVERE THE MEASURES SHOULD BE. A MODERATE GROUP (MINISTERS OF FINANCE, DEVELOPMENT AND INTERIOR)
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REPORTEDLY ARGUED THAT DURING A PRESIDENTIAL ELECTION YEAR THE GOVERNMENT SHOULD NOT TAKE TOUGH DECISIONS WHICH WOULD CHANGE THE RULES OF THE GAME AND UNDERMINE PUBLIC CONFIDENCE IN THE ECONOMY. A MORE RADICAL GROUP (MINISTER LAURIA, VENEZUELAN INVESTMENT FUND PRESIDENT HURTADO) REPORTEDLY SUPPORTED ACTION WHICH WOULD PROHIBIT IMPORTS OF A WIDE RANGE OF GOODS NOT ESSENTIAL TO THE DEVELOPMENT OR WELL BEING OF THE COUNTRY, OR WHICH

COULD BE OBTAINED FROM DOMESTIC PRODUCERS. PRESIDENT PEREZ IS SAID TO HAVE ACCEPTED THE MODERATE POSITION DURING A CABINET SESSION MARCH 22.

3. COMMENT: ACCORDING TO LATEST AVAILABLE STATISTICS (BEING SUBMITTED BY SEPARATE AIRGRAM), DURING 1977 VENEZUELA'S EXPORTS WERE VALUED AT ALMOST \$10 BILLION (MOSTLY PETROLEUM SECTOR EXPORTS) AND VENEZUELAN IMPORTED \$8.8 BILLION WORTH OF GOODS. WE ESTIMATE NOW THAT IMPORTS WILL INCREASE BY OVER \$1.7 BILLION TO ABOUT \$10.5 BILLION IN 1978 WHILE EXPORT REVENUE (IN THE ABSENCE OF A SIGNIFICANT PRICE INCREASE FOR OIL) WILL REMAIN ROUGHLY THE SAME AS IN 1977. IN THE CONTEXT OF FIGURES OF THIS MAGNITUDE, ACTIONS WHICH RESULT IN A BALANCE OF PAYMENTS SAVINGS OF \$116 MILLION CAN ONLY BE CONSIDERED SYMBOLIC. POLITICALLY, HOWEVER, THIS DECISION MAY BE MORE IMPORTANT. DURING AN ELECTION YEAR THE RULING AD PARTY DOES NOT WANT TO BE PERCEIVED AS IGNORING A PRESSING NATIONAL PROBLEM. BECAUSE THE IMPACT OF THE MEASURE WILL APPARENTLY BE LIMITED TO A FEW ITEMS THE GOV WILL SEEM TO BE DOING SOMETHING ABOUT THE IMPORT PROBLEM WITHOUT ALIENATING A SIGNIFICANT NUMBER OF VOTERS.

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